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SUBJECT: BIG PLANS AHEAD FOR MUSCAT'S TOURISM INDUSTRY

REF: MUSCAT 1379

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SUMMARY

¶1. (U) The Ministry of Tourism and government-owned Oman Tourism Development Company (OTDC) are moving forward on ambitious plans to develop tourism-related projects in the Muscat metropolitan area. The government envisions the construction of 16 hotels and a convention center within the next five years. Opportunities for U.S. firms to participate in the design and construction of these facilities abound.
End Summary.

PROJECTS ON TAP

¶2. (U) On September 23, Econoff and POLE Assistant met with Mohammed al-Sinani, Director General of Planning at the Ministry of Tourism, to discuss the government's plans to develop Muscat's tourism infrastructure. Noting the government's intention to boost tourism's share of the gross national product from 1% to 5% by 2020, Sinani remarked that the government was working with private developers on four major tourism projects in the capital area. The first of these projects, the Wave, has already broken ground, with U.S.-based Turner Construction serving as the project manager. To be completed over the next four years, the Wave will feature a mix of hotels, private residences, and commercial properties stretched along 7 kilometers of beachfront property. The project will represent the first opportunity for non-GCC residents to purchase freehold property.

¶3. (U) Sinani also highlighted plans to develop a three-hotel resort complex on Yiti beach, adjacent to the recently-completed Barr al-Jissah resort complex. The \$1 billion project, complete with residential housing and a golf course, will break ground in 2007. Sinani further commented that the government is in discussions with Egyptian company ORASCOM to develop a three-hotel resort complex, including a marina and residential units, at Sifah. Sinani finally highlighted the government's intent to develop a three-hotel convention center complex in the Seeb district of the capital, where the airport is currently located. Sinani stated that the government, which hopes to have the center completed by 2010, has selected an Australian firm to serve as the project's consultant.

CENTER TO COMPLEMENT DEVELOPMENT

¶4. (U) According to Sinani, the Omani government established the OTDC to direct the conversion of government-owned assets into tourism projects. On October 15, Econoff and POLE Assistant met with OTDC Chief Operating Officer Tim Redman to discuss the company's role in developing Oman's tourism infrastructure. Redman stated that the company - which will change its name to OMRAN ("prosperity building") once it is officially launched on December 17 - primarily serves as the government's investor in tourism projects, either as the sole investor in projects such as the development of a Muscat beachfront resort and convention center complex, or in partnership with the private sector, in which it takes a 30% stake in a silent capacity. The company also advises private investors on tourism-related projects.

¶5. (U) Redman noted that the company had a full plate of work, including monitoring the construction of 16 hotels over the next five years. He commented that finding contractors, such as plumbers, electricians, and plasterers, to complete the finishing traits of the hotels would be challenging, given the construction boom in neighboring Dubai. The company would also begin looking to associate hotel operators for the various projects, attempting to ensure that the right matches were found.

¶6. (SBU) Of primary importance to the company was the mandate to develop a world-class convention center that would serve as an architectural landmark in Muscat. The convention complex, set to cost between \$250-\$300 million, would include three hotels and a shopping center. Redman expressed concern about constructing a "white elephant," and thus was evaluating ways to make it stand out from its competitors, such as developing a "secure" convention center and hotel complex that would attract high-value participants. Redman further expressed concern that an architecturally-striking design may be difficult to achieve, given the Tender Board's track record of selecting the lowest-price bid, irrespective of aesthetic considerations.

JOURNEY OF LIGHT UPDATE

¶7. (SBU) Redman also provided an update on the proposed Journey of Light project (reftel). He commented that the Ministry and his company were doing due diligence on the proposed U.S.-based investor, Frank Drohan of Contact Sports.net. Under the current project proposal, Drohan would enter into a long-term lease with the Ministry of Tourism to develop a theme park complex on a parcel of beachfront property just north of the Wave development. Redman remarked that while government officials like the concept, they question whether the assumptions provided by Drohan in terms of gate receipts and hotel rack rates would support the investment. Redman also pointed to the low share price of Drohan's company and his recent business dealings with the Qataris, who bought him out of an investment for \$1 million, as potential concerns.

OPPORTUNITIES FOR U.S. BUSINESSES

¶8. (U) Comment. The upcoming push by the Omani government to fully develop Muscat as a business/leisure destination presents ample opportunities for U.S. companies. Redman noted his hope that U.S. firms would participate in the competition for designing a secure convention center facility and constructing the proposed hotel complexes. Redman also expressed interest in meeting with U.S. hotel operators to gain a better feel for how they could participate in the management of the proposed properties. End Comment.
FONTENEAU